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QUARTERLY PERFORMANCE MONITORING REPORT No. 5

PERIOD COVERING APRIL 1, 2005 TO JUNE 30, 2005

Submitted to:

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I. General Summary

This quarterly report for April – June 2005, is presented by Casals and Associates, Inc., (C&A), in compliance with Contract No. DFD-I-00-03-00139-00.

Programmatic Trends:

One new Task Order was signed under the IQC Contract.

Task Order No. 804, entitled “Mongolia Corruption Assessment”, is a corruption assessment conducted in close collaboration with USAID/Washington and numerous staff members from the Ulaanbaatar field office of The Asia Foundation (TAF). The purpose of this assessment is to provide USAID/Mongolia with a better understanding of the degree to which corruption exists in Mongolia, where it exists within Mongolia’s political and legal structures, the possible sources and dynamics of corruption within Mongolia, and the capacity for government and civil society to combat corruption. Recommendations of programmatic activities will also be provided to USAID/Mongolia.

Unresolved Issues/Constraints:

None to date.

II. Progress/Status of New and Ongoing Awards

The ongoing Task Orders in this reporting period are as follows:

Task Order No./Country/Project Title	Start Date	Estimated End Date
800: Colombia – Efficiency and Accountability	04-01-2004	10-24-2006
802: Albania - Legal Systems that Better Support Democratic Processes and Market Reforms	07-01-2004	06-30-2007
804: Mongolia – Mongolia Corruption Assessment	06-02-2005	07-31-2005
DFD-I-01-03-00139-00: America’s Accountability/Anti-Corruption Project	09-08-2004	09-30-2006
DFD-03-03-00139-00: Central America and Mexico (CAM) Anti-Corruption, Transparency and Accountability Program	01-24-2005	03-29-2009

IQC Contract Start Date 09-30-03 / End date 09-30-08.

Task Order No. 800
Colombia: Efficiency and Accountability

Activities Carried Out

Component I - Improve Transparency, Efficiency, and Public Management within the GOC

During this past quarter, a variety of training sessions were implemented under this component. Regions that benefited from these trainings included Medellin, Cali, Bogota, Barranquilla, Cartagena, Pasto, Nariño and Cartagena.

- 20 sessions on public communication were conducted. Emphasis on transparency, public ethics and policy formulation was made.
- 47 sessions on management by processes were held. Emphasis on internal control and control subsystems and risks was made.

Difficulties presented

- The Head of Internal Control of the Mayor's Office of Medellin has expressed little interest in participating in program activities, despite several meetings and correspondence by Casals. Given the lack of political will of this office, Casals will convene a meeting to determine the participation of the Secretary of Evaluation and Control in the program.
- The management capacity of the Governor's Office of Bolivar is rather low. Specific targets need to be set for this beneficiary in order to continue providing technical support. Otherwise, program efforts will not be well invested.

Component II - Strengthening Citizen Participation in the Control and Oversight of the State's Public Management

- During the months of April and May, 8 workshops were held in the regions of Medellin, Cali, Cartagena, Barranquilla and Pasto to prioritize possible projects for *veedurias groups* focusing on the health and education sectors.
- An agreement was reached with British Petroleum (BP) for them to contribute approximately \$50,000 to the *veedurias institucionales* initiative, and the Chamber of Commerce of Casanare was chosen as the local implementing partner, due to its capacity and for security reasons.
- A meeting was convened with the Evaluation Committee for the *veedurias institucionales* initiative. Attending representatives from the General Comptroller's Office, the Inspector General's Office and the Presidential Anti-Corruption Program evaluated four proposals that the Transparency Pact Follow-up Committee of Barranquilla determined complied with the RFP. The Committee selected two of these projects for possible funding. The first project, presented by Asotranscaribe, offers citizen control over the mass transit system planned for Barranquilla. The second, presented by Fundacion Foro Costa Atlantica and Fundacion la Paz, will monitor the SISBEN.

Difficulties presented

- The devaluation of the US dollar is affecting the value of the grants with local implementing partners, since these grants were signed in dollars. The indicators for this component will need to be reevaluated given the decreased value of the budgets for these grants.
- The number of proposals for *veedurias* in the health sector submitted in Pasto was significantly lower than expected. Efforts are being undertaken, in conjunction with the Camara de Comercio de Pasto, to identify additional citizen groups interested in conducting control in this sector. If the demand for this activity cannot meet project goals, the project will request permission from USAID to expand *veedurias* activities to additional sectors, such as education and public works.

- The signing of the agreement with BP and the Camara de Comercio de Yopal has been delayed until the arrival of the new President of BP in Colombia.
- The Evaluation Committee has several questions regarding the two proposals selected for the veeduría institucionales projects in Barranquilla. The project will require additional information and clarifications from Asotranscribe and Fundación Foro Costa Atlántica-Fundación La Paz before presenting the approval request from USAID.

Component III - Supporting Civil Society Initiatives to Strengthen Transparency--Small Grants

- Public officials from the Governor's Offices of Antioquia and Valle del Cauca and Mayor's Offices of Medellín and Cali signed ethics pacts with the business sector, through the support of the Inspector General of the National (PGN) and *Confecamaras*.
- The project met with the National Planning Department (DNP), Chamber of Commerce of Pasto, *Fundación Social*, and Mayor's Office of Pasto to evaluate the progress of the Sinergia web site.
- USAID approved US\$2,249 in funding to sponsor the participation of the Director of the PPLC in the "IV Conference – Fight Against Corruption" in Brasília, Brazil.
- The Mayor's office of Pasto conducted the first accountability session using the SIGER software to present the municipal management results, according to the Municipal Development Plan for 2004-2007. Approximately 300 citizens and public officials participated in the event.

Component IV - Strengthening of Budgetary Processes

- During the reporting period, Fedesarrollo continued to undertake the assessment of the national budget process.
- USAID, Casals, and DNP traveled to Medellín to meet with the staff of the Mayor's Office to determine the possibility of including this municipality as the second pilot for the Budgeting for Results (PPR) project.
- During the month of May, Fedesarrollo met with the technical team from Ministry of Finance and Public Credit (MHCP) to analyze the contents of the integrated financial information system. Fedesarrollo also met with the Ministry of Social Protection to obtain information on its budget planning and management process. USAID and Casals met with *Fedesarrollo* to review a draft of the assessment of the budget process and its corresponding information systems.
- In May, the Mayor of Medellín sent a letter USAID/Colombia Director, Michael Deal, accepting the participation of the municipality as the second pilot city for the Budgeting for Results (PPR) Project.
- During the month of June, Fedesarrollo met with the Ministry of Finance and Public Credit (MHCP) and the National Planning Department (DNP) to present the advances of the assessment of the budget process. The final document, with recommendations, will be presented to DNP and MHCP at the end of July, in order to establish the work plan for the implementation phase. Casals and Fedesarrollo presented to USAID the progress of the assessment of the budget process. During the meetings, Fedesarrollo promised to send USAID a detailed description of the recommendations in a power point presentation.
- On June 10, Fedesarrollo met with the Financial Department of the *Instituto Nacional de Vías* (INVIAS) to incorporate its observations in the assessment document. Casals later met with the Director of Fedesarrollo, Mauricio Cardenas, to discuss modifications to the subcontract. And Fedesarrollo met with the *Dirección General de Presupuesto* (DGP) and the MHCP to share suggestions for modifications to its database.

- On June 23, the Technical Committee met to review the responsibilities of DNP and Casals within the Budgeting for Results (PPR) project. During this month, Casals coordinated with local teams in Pasto and Medellín to advance the PPR project.

Difficulties Presented

- The advisors of the Mayor of Medellín do not yet understand the benefits of the PPR project. Additional meetings will need to be held to demonstrate the benefits that this project will add to the current budget process of the municipality. In addition, a meeting will need to be convened with the Mayor to finalize the decision.
- Fedesarrollo has had difficulties in submitting deliverables by deadlines, and there have been several complaints regarding the team leader's interactions with counterpart GOC representatives. Casals recommends hiring a staff member, with experience in budget processes, as the coordinator for the entire component. Part of his/her responsibilities will be to provide both technical and administrative supervision of the subcontract with Fedesarrollo.

Task Order No. 802

Albania – Legal Systems that Better Support Democratic Processes and Market Reforms

Activities Carried Out

1) Technical Assistance to the Inspectorate of the High Council of Justice (HCJ) and the Inspectorate of the Ministry of Justice (MOJ)

Based on a USAID recommendation, a large stakeholders' meeting was postponed due to sensitivity of large-scale public events. Rather, C&A organized a stakeholders' meeting for both Inspectorates and interested participants, such as members of the judiciary and the School of Magistrates, and prepared documents like draft agenda, participants' list, talking points, and press release. A final report was also prepared and submitted to invitees and USAID. To follow up on the recommendations of the stakeholders' meeting, two separate working meetings were held in May and June, 2005, with each Inspectorate in order to articulate better the recommendations, conclusions, and legislative work necessary to make judicial inspection function under current constitutional constraints, lack of capacity, political will, incentives, and strategic objectives. Memoranda on each working group meeting were prepared to highlight the similarities and differences between the Inspectorates on all of these issues and submitted to USAID. Products of these meetings were draft missions and statements for both inspectorates that aim at clarifying their institutional relationship. Professional discussions on these points were both lively and lengthy and a number of conclusions were reached about the manner in which the inspectorates should function and additional policy steps that should be taken.

C&A also is working with USAID to develop a study tour for both Inspectorates to an appropriate country to acquire new experience on the work of other organizations with dual mandates and to improve linkages between the two Inspectorates. This could occur in collaboration with World Learning during September-October 2005.

2) Technical Assistance to High Inspectorate for the Declaration and Audit of Assets HIDAA

The on-site Senior Anti-Corruption Specialist (SACS) has now been in place for nine months. During this period HIDAA moved to fully equipped new premises, acquired up-to-date technology, increased staff numbers, trained low inspectors and investigation staff, held meetings and a conference with stakeholders, redesigned the declaration form, printed, received, registered and scanned the second years declaration forms, redesigned the website and developed a case management system. New legislation was enacted which

has extended the role of the agency, and overseas visits were made to examine comparative systems. A noticeable change in attitudes and methods has taken place during the period. While many old ideas and procedures remain, new methods have been adopted and Strategic Review recommendations implemented.

HIDAA completed the move to their new building in early April 2005. The refurbishment of the old premises was completed in June. The official opening for the building was held on April 18th, attended by USAID. On June 8th the President visited the refurbished building and introduced the new Conflict of Interest law. A training room is now available on-site and has been utilised for workshops and meetings. USAID approved a budget modification, which tripled the availability of funds for HIDAA equipment procurement. HIDAA has now organized a study tour to Australia in August 2005 to be funded internally. HIDAA has also visited the UK Parliament to examine ethics issues.

Most of the 2004 declaration returns have now been collected. About 3 former deputies have failed to lodge together with a small number of others: mainly subjects who have left the public service. The lodgement rate was thus over 99.5%. The new forms are easier to check as they only require changes to assets/liabilities to be disclosed. The registration and initial checking is continuing. Two prosecutions are continuing. About 80 subjects were named in two press conferences for failing to lodge declaration forms or failing to properly complete the form. A number of subjects were reported to their Ministries for making incorrect declarations. A number of investigations are ongoing, including an investigation into the Albanian Ambassador to the United States. The majority of low inspectorates were audited during the period, as part of HIDAA's supervisory responsibilities.

A technology needs assessment was prepared following discussion with HIDAA staff and new equipment was purchased. The SACS completed the majority of web page production for the new HIDAA website, including information on the new Conflict of Interest law and on amended HIDAA law. A computer program was written to transfer data from the case management database into English/Albanian web pages. Documents were translated and all pages are available through context-sensitive English/Albanian links. Over 450 web pages have been produced. The Annual report has been translated and converted to html. Transfer of these documents to the live site was delayed as a result of a change of service provider to AlbTelecom. The SACS finalized programming of the data entry and enquiry screens for the case management system. HIDAA commenced data entry during the period. Scanning of the 2003 and 2004 declaration forms commenced after various resolutions and formats were tested. HIDAA commenced scanning using their own staff and is now under the process of recruiting additional staff.

A training questionnaire was distributed among staff, and training needs analysis completed. The SACS completed workshops on forms design, screening, processing procedures, case management and overseas evidence. Materials for a workshop on interviewing techniques are complete. The SACS gave two talks at the money laundering and terrorist-financing seminar in April 2005 organized by the US Embassy and PAMECA. English language courses for all HIDAA staff commenced in May 2005. Training equipment, including a whiteboard, projection screen and two laptop computers were purchased. Ad hoc advice is provided on a daily basis. Two proposals for a study tour to Australia and English lesson for HIDAA employees were included as part of the USAID-requested training plan for World Learning financing, but were deemed as unwise.

3) Continued Assistance to the Citizen's Advocacy Office (CAO)

C&A continues to support day-to-day ongoing media and advocacy operations, as well as the pre-legal youth center. A major accomplishment during the reporting period was the creation and establishment of a non-executive and non-decision-making body such as the Board of Friends, as suggested in the C&A sustainability report to identify and diversify outside funding sources for CAO. With recommendations from USAID, CAO strategy was launched in a large-scale event with potential board members from international agencies, business representatives, and the U.S. Ambassador. Some 11 organizations and businesses

expressed their interest in signing a Pledge Card to participate in the CAO Board of Friends. In June 2005, CAO organized a Board of Friends event to include the private sector community in order to strengthen cooperation and links from those entities hard hit by corrupt practices.

In addition, the Casals Rule of Law team, in collaboration with the Albanian-American Trade and Development Association of Albania (AATDA-AL) is working with CAO to increase its capacity on delivering a corporate governance and business code of ethics based on the OECD model. It is hopeful that Casals & Associates' past experience in delivering such courses for Russian and Ukrainian business leaders in conjunction with the US Department of Commerce will add to the curricula of the CAO-AATDA-AL course.

In order to spread the experience and successes in other parts of the country, and in compliance with the Work and Performance Monitoring Plan, the CAO opened the first regional office in Durres, which will also precede and serve as a model for the opening of two other offices in Shkoder and Vlore. Through the opening of the regional offices, CAO establishes a network of anti-corruption advocacy centers that assist and educate citizens to denounce and oppose corruption. The Durres office was officially opened in April 2005 and is functioning on a regular basis. The office was furnished, staffed and equipped to handle the case load of citizens' complaints about corruption. The staff is frequently trained and supervised by CAO headquarters.

4) Assistance to the National Chamber of Advocates (NCA)

Previously, in January 2005, the CoP and staff attorney had attended a three-day work session on Strategic Planning of NCA in Vlora sponsored by ABA-CEELI for the NCA to develop its own strategic plan for the year. The results for their own strategy were meager; however, the NCA did express its need for assistance for a project coordinator, a new code of ethics to supplement the 1996 version and to revise bar exam procedures. Moreover, Casals & Associates identified real needs and serious attorneys willing to work and contribute for more effective, self-regulatory, and well-respected organization. Then, with USAID approval during the reporting period, C&A recruited a short-term project coordinator on an experimental basis to help develop capacity to carry out projects for the NCA.

The C&A CoP, the staff attorney and the project coordinator were invited as participants to the April 2005 three-day meeting in Vlora where over 80 lawyers from all over the country embarked on a series of sessions on regulatory acts that regulate the activity and functioning of the NCA, including scope of activities, organizational structure, rights and obligations of the members, disciplinary bodies and procedures, and improved bar exam procedures. During the whole session, the Rule of Law Program team, particularly the Project Coordinator, helped to make this meeting a success.

C&A initiated the establishment and functioning of the group created to work with the Code of Ethics of Attorneys. After a first draft of the Code was written and considering a new Code of Ethics as vital to implementation of new Law and new Statute, the Rule of Law Program brought a U.S. Code of Ethics advisor as a short-term consultant to assist in the deliberation and drafting of the new code of ethics. The ultimate purpose for this technical assistance was to ensure that the legal profession in Albania has a modern code, capable of enforcement, compliant with international/EU standards and appropriate for the practice of law in Albania. In addition to assisting the working group, the code of ethics advisor, together with Casals & Associates CoP, staff attorney, and project coordinator attended a two-day seminar, sponsored by the Council of Europe, and dedicated to the revision of the code of ethics to comply with EU standards. USAID participated in both briefing and debriefing sessions with the Code of Ethics advisor. As a result, a new statute regulating the practice of law adopted in April 2005 and a new code of ethics was finalized in June 2005.

A study tour proposal by the Rule of Law Program for NCA senior staff to view bar exam practices in the U.S. and review bar exam process and respective regulations was submitted to and approved by World

Learning and USAID in 2005. The project coordinator has already begun assisting for the preparation of the bar exam to be given in July 2005.

5) Assist in the Preparation of Implementation Acts for Freedom of Information Law and Administrative Procedure Code

In collaboration with the Institute for Political and Legal Studies (IPLS), C&A continues to receive and analyze comments from the Administrative Procedures Code (APC) stakeholders meeting held earlier this year, including recommendations on ways how to better help the implementation of the law. With regard to FOIA, the C&A CoP together with the staff attorney and office manager have conducted several successful meetings with the Ombudsman who has offered cooperation of his organization, encouraged the Project's efforts and support with experts on establishing a working group to draft FOIA sub-regulations. With the assistance of the Rule of Law team and IPLS, the working group did a research project on other laws that affect or complement FOIA norms such as Law on Protection of Personal Data, Law on State Informative Service, and Law on Archives. The sub-regulatory act is intended to be a model regulation anticipated to be sent by Ombudsman in the form of recommendation to key institutions and planned to be launched in another large-scale stakeholders' meeting. The Rule of Law Program team continued follow-up work with the joint ABA-CEELI-CAO FOIA study and is using information gleaned from the CAO-published Survey on the Right to Information to address issues that affect an enhanced implementation of FOIA and identify ways to increase public awareness on right to information.

6) Assist in the Preparation and Implementation of a Conflict of Interest Law

Due to the importance and fast pace of Conflict of Interest (CoI) Law development, the Rule of Law Project team worked hard to ensure that draft legislation would comply with modern conflict of interest legal standards, harmonize with other Albanian legislation, ensure awareness of stakeholders, particularly the implementing agency and civil society, and be enforceable. To these ends, the CoP and SACS worked closely with the Anti-Corruption Monitoring Group (ACMG) at the Ministry of State charged with the development of the draft law.

C&A had provided a short-term technical advisor in December 2004 to review and provide recommendations on the improvement of the draft CoI law from both civil society and government perspectives, which was finally passed during the reporting period. The consultant also conducted numerous meetings concerning an alternative conflict of interest report/draft law prepared under the auspices of the Albanian Coalition Against Corruption (ACAC). A draft report was delivered to USAID with a debriefing session including the USAID Mission Director. With the advisor's help, the Rule of Law Program continued its active role in supplying expert legal advice on a newly-drafted ACAC Conflict of Interest Law and translating new draft to promote public awareness for this fundamental issue of accountability.

The Rule of Law Program has attempted to coordinate the efforts of various donors, including the World Bank, OSCE, Council of Europe, and USAID to submit joint comments on the CoI draft to the Parliament and the Government of Albania. To this end, serious consideration was given to the actual implementation of the law, the regulatory institution charged with enforcing the law (HIDAA), and country-appropriate reporting mechanisms for CoI. The CoP attended a GOA seminar on the newly-passed CoI Law held in June 2005, where she made several comments on various aspects of the law. The SACS has produced a draft brochure and poster to help explain the legislation.

HIDAA made a formal submission to the Law Commission, and also submitted a draft amendment law aimed at strengthening the present HIDAA legislation. Because the Conflict of Interest law was passed by the Albanian Parliament on May 26, the legislation came into effect 15 days after its publication in the Official Journal and HIDAA and the Ministries have until 26th November to implement the secondary legislation. Recruitment of a short-term technical advisor to assist HIDAA with CoI implementation and regulatory acts is in process. To date, five candidates have been presented to USAID for review.

7) Assist in the Preparation and Implementation of a Press Law

During the reporting period, C&A continued stakeholders' meetings as per the Work and Performance Monitoring Plan specifications. Together with IPLS, the Casals & Associates staff attorney has held several meetings with the Head of the Albanian Parliamentary Commission of Mass Media to brief on activities on drafting and implementing of the Press Law. Both IPLS and the Project made comments on the draft law to the Albanian Parliamentary Commission of Mass Media; the draft is now undergoing discussion in Parliament. The members of this Commission incorporated the USAID/Casals comments and voiced their appreciation for USAID assistance in this legislative development. Such comments were also aired on Albanian TV by the Head of this Commission.

To improve the independence of the journalism profession in Albania, the Project team met with the Head of the Albanian Media Institute. Casals & Associates and AMI agreed to collaborate on future press law and public awareness activities. To ensure that journalists are both trained and the public is aware of growing, independent and fair-minded news reporting, Casals & Associates has initiated discussions with the Head of the Faculty of Journalism in April to collaborate with the Rule of Law Program on these issues. The Rule of Law Program staff attorney will now work on the establishment of a press council as media self-regulatory body to promote a code of ethics and compliance to it.

The rule of Law Program attorney participated in an Albanian Media Institute activity on "Media & Press Ethics during Elections" held under the auspices of AMI, OSCE and Albanian Central Elections Commission. In addition, upon USAID advice, C&A is collaborating with NDI and IREX on media issues and are joining efforts on news coverage in elections.

8) Assist in the Implementation of Intellectual Property Laws

As noted in the Work and Performance Monitoring Plan, no work was programmed on IPR issues until the latter part of the Project. To prepare for embarking on this component, however, C&A has identified both an expatriate and local attorney who may work on selected IPR issues as will be identified in next years' Work and Performance Monitoring Plan.

Task Order No. 804

Mongolia – Mongolia Corruption Assessment

In June and July 2005, two C&A staff and two C&A consultants conducted an assessment of corruption in Mongolia, with funding from USAID/Mongolia and in collaboration with a representative from USAID/Washington and numerous staff members from the Ulaanbaatar field office of The Asia Foundation (TAF). The major finding of the report issued by the team, consistent with other quantitative qualitative studies conducted previously in the country, is that corruption should be a serious concern and opportunities for it are increasing at both the "petty" or "administrative" and "grand" or "elite" and levels, the latter of which is a more serious concern because it solidifies linkages between economic and political power that can negatively impact or totally derail democracy and development, as it has in other post-Soviet nation-states. This situation results from a variety of inter-related factors, the most significant of which are:

- A profound blurring of the lines between the public and private sector brought about by endemic and systematic conflict of interest (COI) at nearly all levels;
- An almost total lack of transparency and access to information that undermines nearly all aspects of accountability and results in an ineffective media and low levels of citizen participation;
- A highly politicized public administration brought about by inadequate civil service practices and the existence of a modern day "spoils system;"
- Limited political will and leadership that results in the passage of conflicting and overlapping laws with little consideration for effective policy implementation; and

- Weak government control institutions, including the Central Bank, National Audit Office, Parliamentary “standing committees,” Prosecutor General, State Professional Inspection Agency, State Property Committee, and departments within the Ministry of Finance.

The aforementioned systematic shortcomings have allowed for an evolution of corruption in Mongolia that “follows the money.” Graft on the most significant scales generally occurs in the industries and sectors (i.e. “loci”) where there is the most potential financial gain. During Soviet occupation, this meant involvement in the party apparatus and the ability to use government resources controlled by the party for one’s own financial gain with almost complete secrecy, a tradition that still exists today. In the 1990’s, during the onslaught of democracy, the free market, and reconnectedness to the international community, “big money” was found in two in two main areas: foreign donor assistance (e.g. the USAID wheat programs) and privatization of state-owned enterprises. Later, as Mongolia embarked on further policy changes to mimic capitalistic practices, corruption reared its head in the process of allocating public land to private interests. Now that most of the high-valued land has been doled out and the overall economy is expanding, based in part on extractive industries, emerging areas for corruption include the banking and mining sectors. As in many developing countries, there also are several areas that provide stable and consistent windows for corrupt opportunity, both grand and administrative in nature, such as procurement, customs, the justice sector, among high-level elected and appointed officials, and in the conduct a variety of day-to-day citizen- and business-to government transactions.

However, despite the fact that few of the conditions are in place to prevent corruption from getting worse, the situation has not reached the levels that are evident in many other countries with contexts and histories similar to that of Mongolia. Perhaps more importantly, according to the report issued by the team, there are a number of nascent and rudimentary efforts underway to actively combat corruption, including:

- Government commitments to international anti-corruption regimes and protocols, such as the Anti-Corruption Plan of the Asian Development Bank/Organization of Economic Cooperation and Development (ADB/OECD) and the United Nations Convention Against Corruption (UNCAC);
- Development of a National Anti-Corruption Plan and formation of a National Anti-Corruption Council and Anti-Corruption Working Group;
- Drafting of a new anti-corruption law that, in its current form calls for the formation of an independent anti-corruption body; and
- Short- and medium-term Anti-corruption advocacy and “watchdog” programs initiated by civil society organizations, often with international donor support.

There is, in fact, time for Mongolians and the international community to nurture these efforts and take further action before the corruption problem gets worse. Specifically, the report makes several strategic recommendations, including:

- Diplomatic engagement focused on keeping anti-corruption issues on the policy agenda, promoting implementation of existing laws related to anti-corruption, supporting passage of additional anti-corruption laws, and improved donor coordination;
- General programmatic recommendations to address COI, transparency/access to information, civil service reforms, and the independent anti-corruption bodies, with a definitive focus on engaging civil society and promoting public participation utilizing UNCAC as a framework; and
- Specific programmatic recommendations to address loci of corruption, such as citizen- and business-to government transactions, procurement, privatization, customs, land use, mining, banking, the justice sector, and the political and economic elite.

The team presented these and other findings to both the USAID Mission and U.S. Embassy, including the Ambassador, in Ulaanbaatar.

America's Accountability/Anti-Corruption Project

During the quarter, USAID/Americas' Accountability/Anti-Corruption Project's (USAID/AAA) activities accelerated as subcontract mechanisms put in place previously began to engage. As envisioned by the Work Plan, USAID/AAA's use of subcontractors is designed to capitalize on the expertise and capacity within the region as a means for deepening that capacity and encouraging the development of cross-border CSO coalitions with similar agendas, leading to long-term sustainability of results generated by USAID program investment. The following activities were undertaken relative to the project's four objectives:

1. Address the Challenge of Grant/Elite Corruption

Government Official Immunity/Impunity

In May, USAID/AAA signed a subcontract with the Inter-American Bar Foundation (IABF) for the conduct of a program to address government-officials' immunity from prosecution for corruption and other crimes. IABF activities will be undertaken in three stages:

Stage 1: The IABF will analyze existing laws and practices regarding immunity regimes in targeted countries and develop options, including proposed model legislation, for strengthening laws. Countries identified preliminarily include: El Salvador, Guatemala, Honduras, Nicaragua, Panamá, Ecuador, Perú, Bolivia, Paraguay, Chile and Colombia. When the list of countries is finalized in consultation with USAID/AAA and USAID, IBA will engage recognized constitutional lawyers in each country to analyze existing immunity regimes, following IABF guidelines. The individual country analyses will be combined into a single document that will serve as the foundation for discussion by participants in an international conference IABF will organize in conjunction with USAID/AAA.

Stage 2: The conference, which is expected to take place in Lima, Peru in September 2005, will bring together constitutional lawyers, invited legislators and journalists for focused discussion of needed legal reforms and practical obstacles. A final draft proposal of potential amendments to existing laws in the targeted countries will be produced and distributed among conferees for comments and recommendations. Final proceedings of the conference will be edited and widely distributed among interested parties including legislative bodies, civil society and the media.

Stage 3: Based on the conference findings and conclusions, IABF will draft a preliminary strategy to move participating countries toward reform. It is envisioned that participating countries will be roughly classified into three categories:

- Those where the immunity system works reasonably well and requires a minimum of reform;
- Those needing significant reform, and
- Those needing an overhaul of their immunity regimes.

Based on conference recommendations, IABF working with individual country participants will attempt to prepare actions plans for each country, with special emphasis on the countries where the need for reforms appear to be most urgent. In those selected countries, IABF will work with participants and others to form *ad-honorem* coordinating committees to advance reforms through a series of clearly defined activities. While the committees will be self-directed, IABF will provide guidance and encouragement, including technical assistance from an IABF-contracted consultant who will make one visit to each of the two or three selected countries. Each committee will also be provided the services of a local part-time consultant of its choosing in consultation with IABF.

IABF will produce a final report that includes a complete description of each stage of activities, lessons learned and recommendations. USAID/AAA will distribute the report to missions and make it available on the *ResponDanet* website.

In addition to funds provided by USAID/AAA, the U.S. Department of State is expected to provide additional funding to underwrite conference expenses, as well as the action plan for reform.

Increasing Transparency in Political Party Finance—Peru

Unregulated and non-transparent political-party finance has created openings for powerful interests to buy special favors, distribute patronage and “capture” the state after winners take office. As a result, there is a prevailing disenchantment with democratic processes and institutions, driven by deep distrust of political parties.

Two laws recently passed in Peru—*Ley de Partidos Políticos* and *Reglamento de Supervisión de Fondos Partidarios*—set new standards for political party transparency and accountability relative to contributions to parties and their expenditure. In anticipation of 2005 primary elections and 2006 general elections, USAID/AAA subcontracted *Asociación Civil Transparencia Peru*, in May, to carry out a comprehensive program to support parties’ compliance with the law and regulations and use the experience to leverage greater reforms in the region. More specifically, *Asociación Civil Transparencia* will:

- Develop a diagnostic on financial-resources management under the existing regulations;
- Provide technical assistance to parties in bringing their practices in compliance;
- Prepare policies and procedures manuals on compliance and internal control;
- Develop/adapt financial-management software to be used for compliance and reporting;
- Conduct training workshops for party staff on compliance management and reporting.
- Prepare an analytic report on the experience, with lessons learned and recommendations for strengthening the transparency and accountability regime;
- Using the Peruvian experience, organize and conduct an international workshop on political-party finance reform.
- Prepare a final report on all activities with lessons learned and recommendations for follow-on activities, including and evaluation of how compliance with the law has changed how the affected Peruvian parties conduct their operations.

It was anticipated that these activities would be completed by the end of August 2005. However, since signing the subcontract with *Asociación Civil Transparencia*, there is an ongoing debate among political parties in Peru to amend the law and regulations. If this happens, it might weaken critical accountability and transparency areas. *Asociación Civil Transparencia* currently is engaged in battling adoption of these amendments.

2. Improve Approaches to Reduce Administrative Corruption

CSO Coalition Building--Bolivia

In response to a request from USAID/Bolivia, USAID/AAA arranged for the design and conduct of a two-day workshop on how to organize coalitions for Bolivian CSOs/NGOs recently energized to pursue anti-corruption programming. In April, under a subcontract with USAID/AAA, Partners for Democratic Change (PDC) carried out a program to strengthen the capacity of selected organizations to understand and form coalitions.

- USAID/AAA agreed with PDC that prior to the workshop it would conduct an assessment of the eight participating Bolivian organizations, analyzing each organization’s capacity to function within a network, their previous coalition-building efforts and ideas and concerns about building a Potential Anti-Corruption Network in Bolivia. Lessons from the participants’ past experiences would then be incorporated into the presentations and exercises in the workshop. This was a key to the success of the workshop as examples, theory and skills would be grounded in the reality of the specific situation and thus would provide a basis for practical application of lessons learned from the experiential and skill building sessions.

- In late May, a two-day workshop on “Strategies for Building an Anti-Corruption Network was convened, which consisted of two components. The first was experiential and provided participants the opportunity to learn from experiences of transparency coalitions in Peru (*Proética*), Paraguay (*Redes de Contraloría Ciudadanas*) and El Salvador (*Probidad*). The second component focused on the skills and strategies for forming and participating in a potential anti-corruption network in Bolivia.
- USAID/AAA and PDC will prepare a final report on the activities highlighting challenges facing these Bolivian organizations as they pursue development of their own coalitions and providing USAID/Bolivia with recommendations for additional technical assistance and training.

As a result of this program, participating organizations were introduced to the benefits of and tools necessary for building effective coalitions. Their enthusiastic response to the training provided suggests they will pursue development of networks and other tools to increase their capacity to bring about transparency and accountability reforms in the country.

Assessing Costs of Corruption—Bolivia

USAID/AAA will support the conduct of a study to determine the economic impact of corruption in Bolivia by replicating a methodology designed in Mexico by *Berumen and Associates/Transparencia Mexicana* (Berumen). The study, which will quantify the cost of corruption in vulnerable areas of selected public services, will provide civil society advocacy groups with valuable information for advancing reform measures and will complement other ongoing anti-corruption activities in the country.

To replicate the cost study, USAID/AAA contracted, in May, with Berumen to:

- Design a risk-map model (with corresponding indexes) that focuses on problematic and vulnerable areas. This information will enable the identification of susceptible processes for future investigation and reform.
- Identify institutional and normative areas that require reforms.
- Train local stakeholders to use the model to estimate the quantitative cost of corruption and the benefits that accrue to offenders, and to communicate the information derived to government officials, media and other stakeholders.

AAA/USAID also will provide financial support and technical assistance to *Encuesta & Estudios*, the Bolivian counterpart that would implement the replication of the Mexican model. It is expected that development of the model by Berumen and its implementation by *Encuesta & Estudios Bolivia* will be completed by November 2005, at which time a final report will be issued.

Internal Control Systems Design—Paraguay

At the end of 2004, USAID/AAA conducted a country corruption assessment for USAID/Paraguay. One of the key recommendations of the assessment was strengthening the government internal control system using the Colombian experience as a model. As a result, the Paraguay Comptroller General (CG) requested assistance from USAID/Paraguay in the development and implementation of a plan to strengthen internal control in the government, modeled on the Colombia approach.

Throughout this project, USAID/AAA has given priority to increasing cross-border technical assistance as a means for deepening reform across the region. In that the Colombia internal control model is as comprehensive as any in the region, USAID/AAA arranged for Luz Marlene, a senior expert on C&A’s USAID-Colombia project to provide technical assistance to the CG’s office for two weeks in June. During this consultancy, she:

- Provided analysis, advice and implementation assistance in establishing transparent and accountable internal-audit offices and financial management systems, and
- Provided technical assistance to the CG and Executive Auditor’s Office in developing a Threshold Country Plan.

Replicating Successful Social Auditing Models

One of the more consistently successful mechanisms for fostering citizen engagement has been social auditing, a methodology used by neighborhood groups, CSOs and NGOs to verify that public funds are expended in accordance with stated intent; evaluate and report on the quality of government-provided goods and services, and increase transparency in government decision making.

To help achieve Objective 3, in June USAID/AAA initiated a project to assess successful social-auditing experiences, identify best practices and determine the elements that are critical to evolving sustainable social-auditing activities. To this end, USAID/AAA contracted the services of Beatriz Perez Perasso to conduct an assessment of three successful social-audit programs in countries to be identified in consultation with USAID. This assessment will:

- Describe each social auditing program and how they operate.
- Detail the political and cultural environment in which the programs evolved.
- Identify key government, civil society and other actors instrumental in developing the social auditing programs and in managing them today.
- Describe obstacles that had to be overcome and how they were overcome.
- Identify factors that facilitated the establishment of the programs.
- Detail the human and financial resources required to accomplish the programs.
- Identify laws passed (if any) to authorize the programs and a description of the contents of key sections of the laws relative to social auditing.
- Comment on what is working and what is not and why it is working or is not.
- List lessons learned (recommendations) from each case study useful in establishing programs in other countries, or in other areas of the same country.

Three cases are in the process of being selected to be the subject of the assessment. Fieldwork is expected to take place in August. The final report on the study will be issued in September 2005.

3. Mainstream Anti-Corruption Thinking and Programming Across all Sectors

4. Increase the Qualitative and Quantitative stock of Knowledge to Complement Current Knowledge

Strengthening Mission Anti-Corruption Programming—El Salvador

In response to the above objectives, USAID/AAA designed and implemented a pilot, anti-corruption, mainstreaming workshop the goals of which were to:

- Deepen mission and embassy staffs' understanding of corruption and its countless manifestations, and
- Increase capacity to plan and implement cross-sectoral anti-corruption programming.

The workshop was pilot tested with the El Salvador Mission and Embassy staffs, May 11-13, 2005.

Workshop Participants—Participants included 34 members of the Embassy and Mission staffs, from a full complement of sections and sectoral teams: from the Embassy, the Economic, Public Affairs, Consular and Political sections were represented; Mission staff sections represented included Economic Growth, Health, Education, Water and Environment, Democracy and Governance, Contracts, Inspector General and the Executive Office. The El Salvador Mission Director attended some sessions; the Deputy Director participated in the final day of the workshop.

Workshop Design and Content—For the workshop agenda, USAID/AAA designed two types of sessions: generic presentations, appropriate for missions worldwide, on the language and characteristics of corruption and the *USAID Anti-Corruption Strategy*, and sessions specific to the mission's country plan and strategic objectives.

USAID/AAA planned for the workshop to operate on three levels:

- Establishing a common framework for understanding corruption and its challenges;
- Reviewing information available on how corruption is manifested in El Salvador and the region,
- Identifying tools and approaches for combating corruption across sectors.

The workshop was presented over three days, with a full-day session on day one, an afternoon session on day two and a final morning session. This scheduling was designed to give Mission and Embassy staffs time to address pressing business day to day, in the hope they would be able to participate in the workshop uninterrupted.

Outcome—Both the Mission Director and Deputy Director strongly endorsed the workshop and were generous with their support and participation. The Deputy Director in closing remarks urged participants to view the workshop as an important first step in beginning to address corruption as a crosscutting issue in Mission programming. Following animated discussion of the succession of steps needed to fully implement a crosscutting strategy in the mission, participants enthusiastically nominated the Deputy Director to take the lead in making this effort a reality.

Country Anti-Corruption Assessment—El Salvador

In mid June, an USAID/AAA team consisting of project staff Gerardo Berthin and Yemile Mizrahi and C&A anti-corruption expert, Carlos Guerrero, began the conduct of a country and sectoral anti-corruption assessment for USAID/El Salvador.

Under a cost-sharing arrangement with the Mission, USAID/AAA provided the technical experts for the assessment and the Mission paid expenses related to air travel, per diem, a local consultant and a logistics assistant. With the assessment following on the heels of the Mission mainstreaming workshop, it is anticipated that assessment findings will inform Mission programming design and implementation across sectors in the short and medium terms. The assessment will be completed by the end of June with a first draft to be delivered to the Mission in early July.

Potential Activities

Looking to potential activities for the second project year, during the quarter USAID/AAA:

Paraguay

- Considered a proposal for assessing corruption in the environmental sector utilizing the expertise of a Peruvian NGO to assist Paraguay CSOs.

Colombia

- Received from *Transparencia Colombia* a proposal to monitor political party expenses related to advertising spending in the coming presidential election. USAID/AAA has countered that the organization should monitor and report on all spending as well as income to the parties. Discussions continue.

Peru

- Received a proposal from *Universidad del Pacifico Peru* to do an analysis of transparency and accountability in the forest sector in Peru. Discussions are in the early stages.

Ecuador

- Received a proposal from CLD/Ecuador to work on the Inter-American Convention Against Corruption and its clauses related to recovering assets from corrupt officials who are living abroad. The Project is reviewing proposal and anticipates signing it.

Activities and Developments by Country

Guatemala

The Transparency and Anti-corruption Program in Guatemala was launched by USAID in a well-attended ceremony held on April 11, 2005. The attendees were civil society representatives, the private sector, the Government and the donor community. During the ceremony these representatives learned about the USAID Programs in the area of Democratic Initiatives. Also, the US Ambassador in Guatemala, John Hamilton, pointed out that preventing impunity and combating corruption are among the greatest challenges for Guatemala, and for that reason USAID Programs are focused on promoting important reforms that would strengthen transparency and accountability within the public sector.

During this period, the Program has achieved a very good and open level of communication with the GOG, CSOs, the private sector and other actors. In this area, the Program has established credibility and trust among different actors and players involved in transparency and anti-corruption in Guatemala. The increasing numbers of activity proposals that have been and continue to be presented to the program are evidence of this achievement. It can be stated with certainty that the Program is now a well-established entity and that individuals and institutions are seeking its support.

The approval of grant guidelines and formats has facilitated the Program Technical Committee's reviewing and approving proposals from the GOG and CSOs. The Technical Committee is proving to be a very effective instrument in analyzing proposals and in guiding applicants to improve the quality, objectivity and clarity of the proposals.

Perhaps the most important obstacle to achieving progress in advancing Program objectives more rapidly is the general lack of expertise that exists among public and private institutions in preparing clear and comprehensive activity proposals that are internally consistent. The Program is patiently working through this deficiency and is providing advice to counterparts (and will continue to do so) on how to prepare sound proposals to potential donors.

Activities to be carried out during the next quarter:

- Hire a consultant to the Presidential Commissioner for Transparency who will assist in the logistics and organizational aspects of the 12th Transparency International Conference to be held in Guatemala in November, 2006.
- Follow up on the consultant's activities.
- Continue supporting the periodic meetings of the Multi-sector Council for Transparency.
- Work with the Presidential Commissioner to initiate the development of the GOG transparency and anti-corruption strategy.
- After receiving the CTO technical concurrence, submit the *Acción Ciudadana* grant documentation for RCO approval. Follow up on the elaboration of the Index for measuring compliance with IACC commitments.
- Contract a Consultant to elaborate the Judicial Branch work plan and strategy to implement State of Guatemala commitments vis-à-vis the IACC.
- Follow up on the CIEN grant approval process already sent to USAID, sign and implement the grant.
- Follow up on the activities planned for the preparation of the Budget Transparency Index.
- Follow up on activities related to the development of the corruption perception and experience (victimization) Index (IPEC).

- Hold meetings with USAID Local Governments Program to coordinate activities and decide on T/AC Program involvement at the local level, if any.
- Continue to review and analyze within the Program Technical Committee the activity proposals received from civil society and other organizations and obtain approvals to implement those proposals that are consistent with program objectives and levels of effort.
- Follow up on the *Coalicion por la Transparencia* grant approval process already sent to USAID, sign and implement the grant.
- Develop and submit for USAID consideration a Donor Coordination Plan.
- Prepare a donor meeting with USAID concurrence.
- Continue visiting private sector representative institutions that are interested in pursuing such transparency activities as the Business Ethics Program.
- Coordinate with the US Department of Commerce to initiate the Ethics Program in Guatemala.
- Continue to explore possibilities to strengthen the work of journalists, particularly in the area of investigative reporting.

Panama

Achievements made in Panama include:

- Gaining full confidence of the Executive Secretariat to provide advice on the preparation of its programs, train its technical staff and review and draft key documents, such as its internal regulations and proposals (e.g. those submitted to other GOP entities and international donors).
- Gaining a tighter cohesion among members of the National Anticorruption Council around a common objective (much still remains to be done in this area, but the Council started to take steps in the right direction).
- Identifying, reviewing and obtaining approval for the first small grant in Panama to support a local NGO closely involved in the judicial reform process.
- Developing concrete products to strengthen the legal framework against corruption in Panama (namely drafting modifications to the decree that created the National Anticorruption Council and its internal regulations)
- Exposing members of the National Anticorruption Council to international best practices in the fight against corruption that may be replicated in Panama. Flawed experiences were also shared with the Council. They were particularly relevant to help avoid mistakes committed in other countries that rendered anticorruption bodies ineffective (e.g. overlapping corruption control functions).

Difficulties Presented

The program was confronted with a few external factors that undermined the extent of its achievements. Particularly, recurring deferments in the extraordinary session of the Anticorruption Council put on hold the final discussion and adoption of its strategic plan. A new date for the strategic planning session was set for July 22-23, 2005. The program expects to assist the Council in finalizing its strategic plan by then.

Activities to be carried out during the next quarter:

- Organize and offer a two-day working session to define the National Anticorruption Council's strategic plan.
- Strengthen the research and analysis capacity of the Executive Secretariat of the National Anticorruption Council.
- Monitor compliance with IACC and UN Anticorruption Conventions.
- Finalize budget transparency exploratory actions.
- Build a National Integrity Index.

- Support the design and execution of transparency initiatives at the Social Security Administration (*Caja de Seguro Social*).
- Monitor compliance with the Freedom of Information Act.
- Organize a series of discussion forums to raise awareness on corruption-related issues.
- Identify a map of risks
- Strengthen the government auditing function
- Sponsor participation of GOP officials at Regional Government Innovation Event.
- Promote social auditing activities at the local level:
- Support Civil Society involvement in the judicial reform process.
- Expand cooperation links with a key partner in civil society.
- Implement a communications strategy to advance program objectives.
- Assess compliance with Access to Information Act
- Design a training program on investigative journalism.
- Extend cooperation links to the Solicitor General's Office.

Nicaragua

The Program established an excellent working relationship with the Directorate of Strategic Communications and Governance of the Office of the Presidency of the Government of Nicaragua (GON).

The program received a proposal for assistance from the POG *Grupo Civico de Etica y Transparencia* (Civic Group on Ethics and Transparency) for the realization of a public awareness campaign with the object of informing and educating the general public and political groups on the importance of effective implementation of the recommendations of the OAS Committee of Experts to reduce opportunities for corruption.

Consultations were conducted with technical representatives from both the health and education programs of the mission (Office of Human Investments) to become familiar with methodologies being used in improving services at the local level.

A key contact has been established at the technical level with the National Assembly commission responsible for the proposed legislation for access to public information.

Negotiations have continued with *Grupo Civico de Etica y Transparencia* for a public awareness campaign on the management of municipal budget transfers and the participation of civil society in the various stages of the municipal budget process.

The Program coordinated with and provided support to the GON's Office of Public Ethics (OEP) and the Universidad Centroamericana (UCA) in the realization of a forum to facilitate analyzing the status of implementation of the *Ley de Participacion Ciudadana* (Citizen Participation Law)

An agreement was reached with the International Republican Institute (IRI) to co-finance an event to raise the issue of political party finances.

Difficulties Presented

Despite these achievements, the Program encountered several challenges. For instance, there continues to be a lack of consensus on a national anti-corruption/transparency strategy. Also, political and institutional crises interfere with consistent efforts required to bring activities to the implementation stage, and civil society proposals focus on immediate needs related to constitutional conflict while overlooking more substantive challenges that would have greater long-term impact

Activities to be carried out during the next quarter:

- Carry out an activity that will generate a commitment to some form of Transparency Table or other donor coordination mechanism
- Transmit to the Directorate of Strategic Communications and Governance (GON) the Program's intent to assist in specific areas of the strategy
- Sign agreement with *Grupo Civico de Etica y Transparencia* to conduct a public awareness campaign to monitor Nicaragua's compliance to the OAS recommendations under the IACC
- Identify organizations with the capacity to assist in the assessment of public services, particularly groups with a focus on issues affecting women
- Define areas of support to the Directorate of Strategic Communications and Governance and ministries participating in the GON's Voluntary Transparency Strategy
- Conclude agreement with *Fundacion Violeta de Chamorro* for Access to Public Information efforts
- Hold an international consultancy to assist in the preparation of a diagnostic on social auditing experiences in Nicaragua.
- Explore training possibilities for journalists in areas of international anti-corruption measures and access to public information
- Co-finance a forum on "Political Party Financing" with the participation of international expert Juan Rial
- Organize ethics seminars for public officials and candidates for public office